

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Leighton Township Green Lake Sewer Commission
Allegan County, Michigan*

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Years ended March 31, 2005 and 2004

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Statement of net assets	4
Statement of revenues, expenses, and changes in net assets	5
Statement of cash flows	6
Notes to financial statements	7 - 11

INDEPENDENT AUDITORS' REPORT

Members of the Board
Leighton Township Green Lake
Sewer Commission

We have audited the accompanying basic financial statements of the Leighton Township Green Lake Sewer Commission, component unit of the Township of Leighton, Michigan, as of March 31, 2005 and 2004, and for the years then ended, as listed in the contents. These financial statements are the responsibility of the Leighton Township Green Lake Sewer Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leighton Township Green Lake Sewer Commission at March 31, 2005 and 2004, and the changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 7, the Leighton Township Green Lake Sewer Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The Leighton Township Green Lake Sewer Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

June 11, 2005

BASIC FINANCIAL STATEMENTS

Leighton Township Green Lake Sewer Commission**STATEMENT OF NET ASSETS***March 31, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash	\$ 535,280	\$ 462,970
Receivables	<u>57,120</u>	<u>54,613</u>
Total current assets	<u>592,400</u>	<u>517,583</u>
Noncurrent assets:		
Receivables	295,000	350,000
Capital assets (net of accumulated depreciation)	<u>2,346,385</u>	<u>2,445,244</u>
Total noncurrent assets	<u>2,641,385</u>	<u>2,795,244</u>
Total assets	<u>3,233,785</u>	<u>3,312,827</u>
LIABILITIES		
Noncurrent liabilities:		
Long-term obligations	<u>436,600</u>	<u>490,400</u>
NET ASSETS		
Investment in capital assets, net of related debt	1,909,785	1,954,844
Unrestricted	<u>887,400</u>	<u>867,583</u>
Total net assets	<u>\$ 2,797,185</u>	<u>\$ 2,822,427</u>

See notes to financial statements

Leighton Township Green Lake Sewer Commission**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS***Years ended March 31, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Sewer usage charges	\$ 95,805	\$ 93,758
OPERATING EXPENSES		
Administrative fees and per diems	6,140	4,900
Repairs and maintenance	11,956	1,473
Professional fees	5,033	1,875
Contract services	37,029	40,171
Telephone	1,885	1,731
Insurance	2,296	2,343
Utilities	2,797	4,064
Miscellaneous	1,383	4,699
Depreciation	98,859	98,859
Total operating expenses	167,378	160,115
OPERATING LOSS	(71,573)	(66,357)
NONOPERATING REVENUES		
Interest revenues:		
Special assessments	18,170	20,700
Other	7,423	9,389
Hook-up fees	43,300	58,800
Interest expense and fiscal charges	(22,562)	(24,363)
Total nonoperating revenues	46,331	64,526
CHANGE IN NET ASSETS	(25,242)	(1,831)
NET ASSETS - BEGINNING	2,822,427	2,824,258
NET ASSETS - ENDING	\$ 2,797,185	\$ 2,822,427

See notes to financial statements

Leighton Township Green Lake Sewer Commission**STATEMENT OF CASH FLOWS**

Years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 96,026	\$ 93,450
Payments to suppliers	<u>(68,519)</u>	<u>(61,256)</u>
Net cash provided by operating activities	<u>27,507</u>	<u>32,194</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Hook-up fees	43,300	58,800
Assessment collections	55,000	50,000
Interest on special assessments	18,170	20,700
Interest paid on general obligation bonds	(21,362)	(23,163)
Principal paid on general obligation bonds	<u>(55,000)</u>	<u>(50,000)</u>
Net cash provided by capital and related financing activities	<u>40,108</u>	<u>56,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>4,695</u>	<u>6,349</u>
NET INCREASE IN CASH	<u>72,310</u>	<u>94,880</u>
CASH - BEGINNING	<u>462,970</u>	<u>368,090</u>
CASH - ENDING	<u>\$ 535,280</u>	<u>\$ 462,970</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (71,573)	\$ (66,357)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	98,859	98,859
(Increase) decrease in accounts receivable	<u>221</u>	<u>(308)</u>
Net cash provided by operating activities	<u>\$ 27,507</u>	<u>\$ 32,194</u>

See notes to financial statements

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Leighton Township Green Lake Sewer Commission, Michigan (the Commission), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Commission's financial statements.

Leighton Township has determined that the Commission meets the criteria for a component unit.

b) Basis of accounting:

The Commission uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The Commission has elected not to follow subsequent private-sector standards.

c) Operating revenues and expenses:

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to the constituent municipalities for operating and maintaining the utility systems located in and owned by the constituent municipalities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - All receivables are considered to be fully collectible.

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets and liabilities (continued):

iii) Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Sewer system and improvements	40 years
Equipment	10 years

NOTE 2 - CASH:

Deposits and investments:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Commission's Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Commission to deposit and invest in accounts of federally-insured banks, credit unions, and savings and loan associations. At March 31, 2005 and 2004, the Commission has deposits with carrying amounts of \$535,280 and \$462,970 respectively, with corresponding bank balances of \$539,252 and \$468,720. Of the March 31, 2005, bank balance, \$300,000 is covered by federal depository insurance and \$239,252 is uninsured.

NOTE 3 - RECEIVABLES:

Receivables for the Commission as of years ended March 31, 2005 and 2004, in the aggregate, are as follows:

	<u>Charges for service</u>	<u>Interest</u>	<u>Special assessments</u>	<u>Totals</u>
2005	\$ 1,352	\$ 5,768	\$ 345,000	\$ 352,120
2004	1,573	3,040	400,000	404,613
Noncurrent portion:				
2005	\$ -	\$ -	\$ 295,000	\$ 295,000
2004	-	-	350,000	350,000

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Commission for the years ended March 31, 2005 and 2004, was as follows:

	<i>Balance April 1, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2005</i>
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	25,077	-	-	25,077
Subtotal	3,879,109	-	-	3,879,109
Less accumulated depreciation for:				
Sewer system	(1,557,603)	(96,351)	-	(1,653,954)
Equipment	(15,044)	(2,508)	-	(17,552)
Subtotal	(1,572,647)	(98,859)	-	(1,671,506)
Total capital assets being depreciated (net)	2,306,462	(98,859)	-	2,207,603
Total capital assets, net	\$ 2,445,244	\$ (98,859)	\$ -	\$ 2,346,385
	<i>Balance April 1, 2003</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2004</i>
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	25,077	-	-	25,077
Subtotal	3,879,109	-	-	3,879,109
Less accumulated depreciation for:				
Sewer system	(1,461,252)	(96,351)	-	(1,557,603)
Equipment	(12,536)	(2,508)	-	(15,044)
Subtotal	(1,473,788)	(98,859)	-	(1,572,647)
Total capital assets being depreciated (net)	2,405,321	(98,859)	-	2,306,462
Total capital assets, net	\$ 2,544,103	\$ (98,859)	\$ -	\$ 2,445,244

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term debt at March 31, 2005 and 2004, is comprised of the following individual issue:

	<u>2005</u>	<u>2004</u>
\$600,000 2002 Sewer Disposal System Revenue Bonds; payable in annual installments of \$50,000 to \$70,000; plus interest at 3.60% to 4.65%; with a final payment due April 2012.	\$ 445,000	\$ 500,000
Less unamortized discount	<u>(8,400)</u>	<u>(9,600)</u>
Total long-term liabilities	<u>\$ 436,600</u>	<u>\$ 490,400</u>

a) Long-term liability activity for the year ended March 31, 2005 and 2004, was as follows:

	<u>2005</u>	<u>2004</u>
Beginning balance -	\$ 500,000	\$ 550,000
Additions	-	-
Reductions	<u>(55,000)</u>	<u>(50,000)</u>
Ending balance	<u>\$ 445,000</u>	<u>\$ 500,000</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ -</u>

b) Debt service requirements at March 31, 2005, were as follows:

Year ended March 31:	<u>Principal</u>	<u>Interest</u>
2006	\$ -	\$ 9,554
2007	55,000	18,063
2008	60,000	15,818
2009	60,000	13,372
2010	65,000	10,729
2011 - 2013	<u>205,000</u>	<u>14,361</u>
Totals	<u>\$ 445,000</u>	<u>\$ 81,897</u>

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Commission implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. This change in accounting and reporting did not result in a restatement of net assets.